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Financial, budgetary and administrative matters

Revision of UNDP financial regulations*

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator of the United Nations Development Programme (UNDP) on the proposed revisions to the financial regulations (DP/2005/3). During its consideration of the matter, the Committee met with representatives of the Administrator.

2. As indicated in paragraph 3 of document DP/2005/3, the purpose of this comprehensive revision of the UNDP financial regulations is to realign them with the new operational processes resulting from the implementation of United Nations Development Group simplification and harmonization initiatives. The revision of the regulations also reflects Executive Board decisions that have affected them since the last comprehensive revision in 2000.

3. The Advisory Committee notes that extensive consultations were conducted throughout UNDP, both at headquarters and in the country offices, as well as with UNFPA, with the purpose of harmonizing its proposed revisions with those proposed by UNFPA (see DP/FPA/2005/3). The report of the Committee on the proposed revisions to the UNFPA financial regulation is contained in document DP/FPA/2005/4.

4. The Committee further notes that, as in the case of UNFPA, the United Nations Office of Legal Affairs (UNOLA) reviewed and commented on the proposed revisions of the financial regulations and its comments have been

*The collection of data required to provide the Executive Board with the most current information has delayed submission of the present document.

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incorporated in the proposed text. The Committee welcomes the presentation of the report of the Administrator. Proposed revisions are clearly identified and explained.

5. Paragraph 5 of document DP/2005/3 indicates that the proposed revisions to the UNDP financial regulations include both substantive and editorial changes, as well as certain changes in terminology. Proposed substantive changes are grouped into four categories, as follows:

(a) Programming modalities;
(b) Authority to commit resources against future receipts of contributions;
(c) Separation of duties; and
(d) Previous decisions of the Executive Board.

6. Changes under programming modalities are discussed in paragraphs 6 to 9 of the report of the Administrator. The Committee notes that harmonized programming procedures are now being introduced in countries where United Nations organizations are starting new harmonized programme cycles. The introduction of the country programme action plan will be phased in over several years and is expected to be completed by 2008.

7. In the interim, UNDP proposes to reflect in the revised financial regulation both the 'old' and the 'new' regime, as advised by UNOLA. Consequently, proposed changes in the revised regulation 27.01 include a new definition for the term "executing agency" and new definitions for the terms "implementing entity" and "implementing partner." Similarly, the definitions of "execution" and "implementation" would be changed in the proposed revised regulation 27.02. Other pertinent changes are proposed to regulations 16 to 18 to take into account both regimes.

8. Commitment of resources against future receipt of contributions is addressed in paragraphs 10 to 13 of document DP/2005/3. The Advisory Committee notes from paragraph 11 of the report that the nature of projects and programmes funded from 'other resources' has become more complex. It has become the practice of many donors to pay contributions to 'other resources' in instalments rather than fully in advance when project and programme activities span several years.

9. In this connection, the Committee was informed that some donors, notably the European Union, have instituted a withholding of final payments until satisfactory completion of the project. The Committee understands that this procedure was accepted by the United Nations Secretariat on behalf of the United Nations system in the framework agreement signed with the European Union in 2003.

10. The Committee was further informed that, in the cases mentioned above, UNDP is placed in the position where it cannot effectively manage projects that require contractual commitments extending beyond the payment instalment periods, without contravening the current financial regulation 5.07. This regulation requires that before UNDP allocates funds for the implementation of a programme activity funded from 'other resources', it should have received 100 per cent of the pledged contribution for the activity.

11. Under the circumstances, the Administrator proposes amending regulation 5.07 (b) to allow in certain instances for commitments to be made against contributions to be paid in future instalments. The Committee was informed that internal guidelines are being prepared to minimize UNDP's risk in this area. To mitigate risk further, commitments would only be authorized against established and approved receivables and would be monitored and controlled using the Atlas system.

12. Current financial regulation 20.02 requires full separation of duties among UNDP staff authorized to incur obligations, verify payments and disburse resources on behalf of UNDP. The Advisory Committee was informed that in a limited number of cases, because of emergency situations or due to temporarily insufficient staffing levels, full separation of duties was not always possible. An amendment is therefore proposed to regulation 20.02 that would allow the Administrator to grant exceptions to this regulation in the interests of UNDP.

13. Paragraphs 15 to 17 of the report of the Administrator discuss the proposed revisions to the financial regulations required to align them with previous Executive Board decisions that have affected them since their last comprehensive revision in 2000. The Advisory Committee notes that the revisions in this category include, notably, those related to current regulations on support costs and reimbursable 'target for resource assignment from the core' (TRAC), reflecting past decisions of the Executive Board (98/19 and 99/2, respectively).

14. Proposed terminology and editorial changes are explained in paragraphs 19 to 29 of the report of the Administrator.

15. The Advisory Committee emphasizes the need for UNDP financial regulations to promote transparency and accountability. The Committee has been assured that the proposed changes to the regulations would improve clarity, and, where necessary, reflect simplified and harmonized terminology for programme planning, in response to General Assembly resolution 56/201.

16. Accordingly, the Advisory Committee recommends that the Executive Board approve the revisions to the existing regulations, as contained in the report of the Administrator (DP/2005/3).